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LATE NEWS

SDG&E announced Aug. 19 that SCE Corp. sweetened its offer by increasing the exchange ratio of common stock from 1.15 to 1.20. That increases the total value of the offer from about $2.19 B to $2.28 B. SDG&E is still studying the proposal. See story below.

NRC staff fined Philadelphia Electric Co. and 33 operators a record $1.25 million for violations at Peach Bottom. See p.4.

The summer's third record for electric output was set the week of Aug. 6 when U.S. utilities hit 65,424 GWh. EEI said output topped the previous record set July 16. See below and p.2.

Massachusetts' supreme court ruled 3-2 that voters may decide in November if the state's two nuclear plants should continue operation. It questioned if closing Boston Edison's Pilgrim and Yankee—owned by 10 NE utilities—would be seizure of private property without compensation.

PacifiCorp and Utah P&L have extended their merger agreement through October to allow FERC time to rule on the action.

SDG&E asks for time

SCE offer throws wrench in merger plans with TEP

Mark T. Hoske
Assistant Editor

SAN DIEGO—San Diego Gas & Electric officials have asked for an extension on Southern California Edison's merger offer on Aug. 11. At the same time, SDG&E continues to pursue its plans for merger with Tucson Electric Power Co., underway since June 13.

SDG&E asked for, and SCE Corp. granted, the extension until Sept. 1 because more time was needed to consider the offer, SDG&E said.

In their July 25 offer to SDG&E, SCE officials said they would not attempt an acquisition other than in a transaction approved by the SDG&E board of directors. The offer was conditioned on termination of merger activity with TEP (*EL&P*, July, p.15).

An irresistable offer?

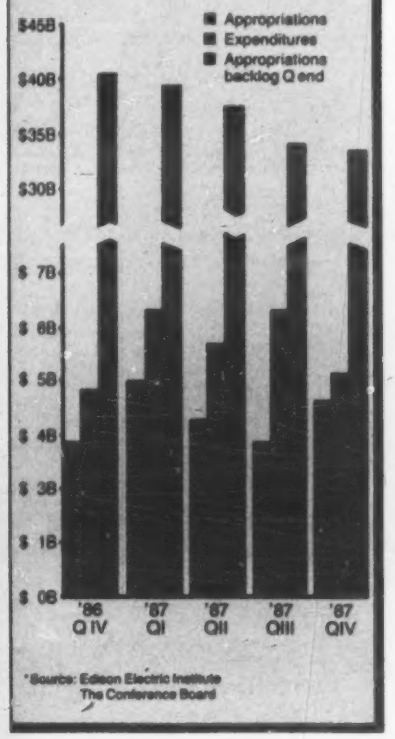
On Aug. 8, SCE Corp. Chairman and Chief Executive Officer Howard P. Allen

Continued on page 12

CAPITAL APPROPRIATIONS & EXPENDITURES

Investor-Owned Electric Utilities

The long-awaited upturn in utility construction activity could be just ahead, according to The Conference Board. Appropriations hit $4.6 Billion in the last quarter of 1987, up 18.4% from the third quarter and 19.5% ahead of the fourth quarter of 1986. The Board says it expects continuing improvements in capital appropriations in 1988.



*Source: Edison Electric Institute
The Conference Board

Heat sets record peaks, but drought drains capacity

Henry Stein
Engineering Editor

BARRINGTON, IL—Electric utilities have been staggered by the onslaught of the combination of the summer's heat and drought this year. And it was a tough combination to fight.

A new record was set in early August for weekly electric output due to the record-setting heat in many parts of the country. But this record output,—the third of the spring and summer—was even more of a problem for many utilities because of the drought, which was also blamed on the extremely hot weather.

Northeast

Summer electric demand in New England soared to a new, all-time record on the afternoon of Aug.3. According to the New England Electric Power Pool, 19,220 MW were used between 2:00 and 3:00 pm. This was close to the area's record high of 19,277 MW set on Jan. 14. And it surpassed last summer's record peak of 18,058 MW.

In Massachusetts, New York and Rhode Island, voltage had to be cut by 5 percent on Aug. 4 because of high demand. Many industrial firms and private consumers on interruptible contracts saw their power supplies reduced as a consequence.

Niagara Mohawk Power Corp. began rolling blackouts on Aug. 10 due to a 400-MW shortage during peak periods.

Midwest

In Illinois, Commonwealth Edison Co. cut off 98 of its largest industrial customers on Aug. 3 to reduce its load by 300 MW to 16,690 MW. The utility's biggest customer, Northwestern Steel & Wire Co., watched helplessly as its scrap steel ovens cooled down from a working 3050°F to a useless 1000°F. The decision to activate the interruptible contract clause was made after the utility's peak hit 17,017 MW on the day before.

One of CECo's problems was its Dresden nuclear plant. Units II and III were operating at only half their capacities in order to maintain environmentally safe temperature levels in the plant's cooling-water lake.

Another was its Braidwood Station nuclear plant. The 2540-acre lake used for the plant's cooling water had dropped from 7½-ft deep to only 6 ft. The plant's pumps had to be moved lower in the lake, but then they were nearly exposed in their new locations during another high-heat period. CECo estimated that unless the rains came or the heat let up, power production at that

Continued on page 12

Basin tops SCE's Great Plains bid on coal/gas plant

WASHINGTON—Basin Electric Power Cooperative was selected as the preferred buyer for the Great Plains Coal Gasification Plant. Announcement of the decision was made by Energy Secretary John S. Herrington on Aug. 5. The deal could be worth $1.8 billion to the government over the next 21 years.

Basin, a consumer-owned regional G&T cooperative based at Bismarck, ND, offered the best combination of value to the government and assurance of continued operation for the plant, said the Department of Energy.

One of nine prospective purchasers, Basin owns a coal-fired power plant adjacent to Great Plains and shares coal and water supplies with the synthetic fuel project.

The co-op was chosen over two other offers—Mission First Financial (MFF), a subsidiary of Southern California Edison, and the Coastal Corp.,

Continued on page 19

All Edison units now on-line & synced

In the high heat of July, it was nice for some people to know that all 12 Commonwealth Edison Co. nuclear generating units were, for the first time, providing electric power to the company's 3-million customers. Braidwood Unit 2 (the 2240-MW Braidwood Station is shown), CECO's last nuclear unit to be built, received its full-power operating license from the NRC on May 20 and was synchronized to the company's Northern Illinois electricity grid on May 26. On July 8, LaSalle County Unit 1 returned to service from a scheduled refueling outage, and all 12 units were generating power simultaneously for the first time. No more refueling outages were planned until September, after the normal period for annual peak demand. Through May 31, 78 percent of CECO's output came from nuclear power using uranium fuel. Coal provided most of the rest of the company's electrical output. (See page 33 for details about the rate negotiations involving Braidwood Units 1 and 2, and for Byron Unit 2.)

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News Briefs

JILL MINNER, Assistant Editor

Early record output hit

According to the Edison Electric Institute, a new record for total U.S. weekly electric output was reached in June. Approximately 61,424 GWh were produced for the week ending June 25, a record which EEI attributes to both the early summer heat wave and steady economic growth. Usually, record outputs are not generated until July or August. EEI figures also show that total year-to-date output is up 4.3 percent over a year ago.

In other heat wave-related news, Kansas Gas & Electric Co. reported reaching a new peak demand in mid-July. The 1,646-MW peak forced the utility to use coal, nuclear, oil and gas to fuel its generating stations.

Northern Indiana Public Service said its control area load hit 2,523-MW in mid-July and that its electric system was operating well under the conditions.

The Southwestern Power Administration is adjusting its use of hydroelectric power generation to conserve water because of the drought condition prevailing over much of the United States. The hydroelectric projects will be needed to meet rising electrical demands resulting from this summer's heat wave, according to the administration.

Commonwealth Edison Co. said it needed to bring all 12 of its nuclear generating units on-line in order to meet customer demand during a yellow alert in July. The yellow alert indicates record high levels for air pollution and electricity demand, according to the utility.

H-Q, Central Maine ink power sales agreement

Central Maine Power Co. has signed a contract to purchase a minimum of 300 MW of power from Hydro-Quebec, beginning with a 100-MW block in 1992. Under the terms of the agreement, various options could increase the contract purchase to 600 MW, if necessary. In addition, Central Maine said it would be allowed to take 800 to 1,000 MW if resale opportunities develop. The proposed sale is awaiting review and approval by the Maine Public Utilities Commission. A decision by the commission is due by January 1989, according to the utility.

September conference to cover new electricity pricing techniques

The Electric Power Research Institute and Niagara Mohawk Power Corp. will sponsor a conference on "New Dimensions in Pricing Electricity" on September 28-30 in Syracuse, NY. The conference will focus on trends in creative packaging of electricity products and services, and the implications pricing has on DSM, economic development, industry deregulation, utility profitability, customer rate structures and the future of the industry in general. Industrial, commercial and residential pricing strategies will also be discussed. For more information write "New Dimensions in Pricing Electricity", Eric Mower and Associates, 101 S. Salina St., Syracuse, NY 13202. Or call Christopher C. Finkle, Niagara Mohawk, (315) 428-3341.

Pacific Nuclear Systems announces its intent to buy Nutech

Pacific Nuclear Systems, Inc. has signed a letter of intent to acquire Nutech in a cash merger for approximately $10 million, according to Pacific Nuclear. Nutech is a privately owned engineering company, headquartered in San Jose, CA, which provides specialized products and services to nuclear utilities.

CP National to sell its Oregon electric utilities

CP National Corp. said it has agreed in principle to sell its Oregon electric utilities to Oregon Trail Electric Consumers' Cooperative, according to *The Wall Street Journal*. The company expects the proposed sale, valued at $41.5 million, to close Oct. 1.

Dominion Energy buys half of Enron Cogen

Dominion Energy, Inc. has purchased one-half of Enron Cogeneration Co. for $104.1 million in cash, according to Enron. Enron Cogeneration, a developer, owner and operator in the cogen industry, said it has ownership positions in four projects: a 450-MW plant in Texas City, TX; a 377-MW Pasadena, TX plant; a 300-MW Bayport, TX plant; and a 165-MW Bayonne, NJ project. According to the firm's parent company, Enron Corp., proceeds of the sale will be used in Enron's debt-reduction program.

S&C Electric mgmt. changes announced

S&C Electric President John R. Conrad was recently named chairman and CEO. John W. Estey, executive vice president, will take over as president of the company. Conrad joined S&C Electric in 1945 and has served as president since 1952. In addition to his new appointment, Estey is chairman and CEO of S&C Electric Canada Ltd. where William H. Lowry was named president.

Utilities to help develop conservation programs

Six Massachusetts utilities, two state agencies and a number of environmental groups have signed an agreement for a collaborative energy conservation and load management (CL&M) program design effort. Boston Edison Co., a participant in the effort, said the groups plan to develop cost-effective CL&M programs for residential, commercial and industrial sectors. The programs would be submitted to the Massachusetts Department of Public Utilities for approval. "This program has the potential to be a win-win situation for consumers and utilities," stated Boston Edison Chairman and CEO Stephen J. Sweeney. Inefficient lighting, heating, cooling and industrial equipment will be targeted in the program, according to the utility. The effort will also include cost-effectiveness tests and guidelines for cost recovery, accounting and rate treatment of utility investments in conservation programs. Other utilities involved are: Commonwealth Electric Co.; Eastern Edison Co.; Fitchburg Gas and Electric Light Co.; Nantucket Electric Co.; and Western Massachusetts Electric Co.

Boston Edison's RFP program wins award

Boston Edison Co. recently received a Special Recognition Award from the Cogeneration Institute for implementing its Request for Proposals (RFP) program. According to the utility, its program promotes the use of new alternative sources of low-cost power by requesting bids from developers of cogeneration and small power production facilities. "The RFP program gives us the flexibility of a diversified resource plan and helps Boston Edison meet the future energy needs of customers," stated Richard Hahn, vice president of energy planning for the utility. Boston Edison said its first RFP, issued in 1987, consists of nine developers scheduled to supply 344 MW by 1992. The company is now awaiting approval of its second RFP, which would provide 400 MW by 2005.

Salt River Project named 'Communicator of the Year' by PUCA

The Public Utilities Communicators Association (PUCA) presented its 'Communicator of the Year' award to Salt River Project at PUCA's annual meeting in Dallas. Awards of excellence went to Northern States Power Co., Wisconsin Power & Light Co. and Gulf Power Company. PUCA said its competition has 25 classifications which cover all phases of advertising and public relations.

EEI honors utilities for consumer programs

The United Illuminating Co. received Edison Electric Institute's Common Goals Award for its "outstanding consumer program", according to EEI. Florida Power & Light Co. and Pacific Gas & Electric Co. also received honors for their consumer programs. UI's *SCAT 33-500 Low Income Weatherization* program approached low-income weatherization by trying to achieve a 33-percent savings on energy bills for 500 low-income households in the New Haven metro area. FP&L's *Quality Senior Living* and *Consumer Advisory Board* programs won in the public participation and community responsibility categories respectively. Also honored in the community responsibility category was PG&E's *Partnerships Program*.

Consumer advocacy group awarded payment for role in PUC decision

The California Public Utilities Commission has ordered three California utilities to pay the Natural Resources Defense Council (NRDC) approximately $14,000 for its contribution to a recent PUC decision on revising rate setting procedures. Pacific Gas and Electric Co., Southern California Edison Co. and San Diego Gas and Electric Co. must each pay the consumer advocacy group $4668, according to the commission. During the hearings, NRDC said that although ratepayers might have to pay higher rates in order to keep large industrial users from leaving their systems, the utilities can offer the ratepayers reduced rates under special contracts. NRDC also recommended that large industrial users control costs by reducing energy use through conservation and land management measures.

NEES committee to seek president, CEO

New England Electric System Chairman Joan Bok has temporarily taken on the additional responsibilities of president and CEO, after Samuel Huntington was struck and killed by lightning in Aspen, CO. Huntington, 49, had served as head of the utility since July 1984. According to a NEES representative, a committee has been formed to find a replacement for Huntington. No deadline has been set for the search, which is being conducted both within and outside the company.

PacifiCorp chairman announces retirement

PacifiCorp Chairman and CEO Don C. Frisbee announced that he will retire from day-to-day operations on Jan. 1, but will remain as chairman of the board. PacifiCorp President Al M. Gleason will succeed Frisbee as chief executive officer, according to the company.

Smith named president of Riley Consolidated

Riley Consolidated, Inc. announced the appointment of H. Kerner Smith to president of the company. Smith has held a number of positions at Babcock & Wilcox and most recently served as vice president of marketing for Riley's power generation group.

In This Issue

Industry News

California merger mania—SCE Corp. vies for SDG&E. 1
Utility borrowings fell in 2nd quarter. 3
Lawsuits filed on Nine Mile Point and Peach Bottom plants. 11
Court nixes municipal utility's use of taxpayer funds. 35

Generation Technology

Hydro station automates after flood wipes out control system. 22

T&D Technology

AM/FM conversion controversy causes fireworks at Snowmass meeting. 26

Regular Features

Commentary 4
Calendar 16
Financial Performances 18
Information/Control Systems 31
Rate Activity 33
Bulletin Board 36
Readers' Service 41
New Products 43
Regulatory Review 47
Management Methods 48

EL&P readers whose responsibilities include both Generation and Transmission/Distribution receive both technology sections. Other readers receive the technology section that applies to their respective area of responsibility. The Generation edition is indicated by a single dot (·) in the upper right corner of page 1; the T/D edition carries two dots (··). All readers receive EL&P's industry news section.

Utility financings fell 11% during first half of 1988

NEW YORK—Financings by investor-owned utilities of all types fell 11 percent, to $10.1-billion in the first six months of 1988, compared to the same period of 1987, according to Ebasco Business Consulting Co. Financings by electric companies were off 4 percent from the year earlier, to $8.2-billion.

New money

Ebasco reported that refundings totalled $2.8 billion through June 30 this year, compared to $4.7 billion in 1987, a decline of 40 percent. New money financings rose 9 percent, to $7.2 billion.

Long-term debt

Long-term debt issued by all utilities totalled $9.3 billion, up just 0.2 percent from a year earlier. Of the total $10.1 billion financed in the first half of the year, 68 percent was sold through negotiated sales, 22 percent was sold at competitive bidding and 10 percent was sold privately. Refunding accounted for 28 percent of total financings.

Electric company financings

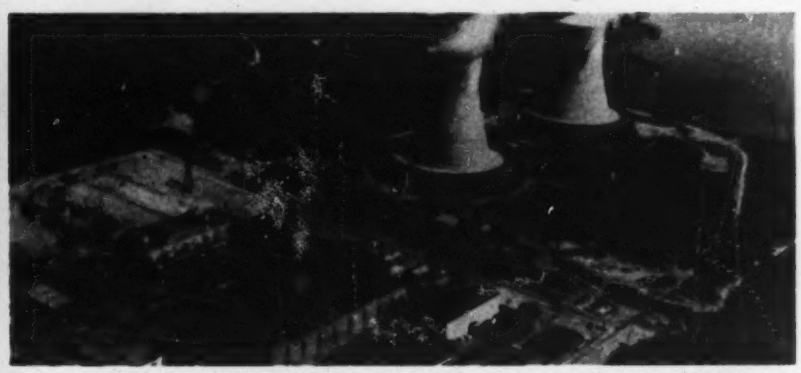
While electric companies' total financings fell 4 percent, utilities' long-term debt increased 8 percent to $7.6 billion. New financings increased 26 percent, to $5.7 billion.

Ebasco also has begun monitoring financing of cogeneration and small power plants.

For the first half, financings of alternative generation projects were: cogen—$1.7 billion; hydro—$119 million; wood—$314 million; geothermal—$219 million; and solid waste—$86 million.

INVESTOR-OWNED UTILITY SECURITY OFFERINGS ($000 — 1988 vs 1987)

	JANUARY 1 TO JUNE 30, 1988									
	TOAL	% CHANGE	ELECTRIC	% CHANGE	GAS	% CHANGE	TELEPHONE	% CHANGE	WATER	% CHANGE
TOTAL FINANCING	10,063,080	(11)	8,210,097	(4)	1,752,983	(26)	100,000	(74)	0	0
LONG-TERM DEBT	9,333,142	0.2	7,565,947	8	1,667,195	(14)	100,000	(74)	0	0
PREFERRED STOCK	472,500	(74)	472,500	(66)	0	(100)	0	0	0	0
COMMON STOCK	257,438	3	171,650	(18)	85,788	145	0	0	0	(100)
BY TYPE OF SALE										
PUBLIC	9,105,080	(10)	7,432,097	(11)	1,672,983	23	0	(100)	0	(100)
PRIVATE	958,000	(10)	778,000	289	80,000	(92)	100,000	100	0	0
BY PURPOSE OF SALE										
NEW MONEY	7,227,950	9	5,687,167	28	1,440,783	(23)	100,000	(64)	0	(100)
REFUNDING	2,835,130	(40)	2,522,930	(38)	312,200	(35)	0	(100)	0	0
BY METHOD OF SALE										
COMPETITIVE	2,207,900	(22)	1,907,900	(24)	300,000	100	0	0	0	0
NEGOTIATED	6,897,180	(6)	5,524,197	(6)	1,372,983	1	0	(100)	0	(100)
PRIVATE SALES	958,000	(20)	778,000	289	80,000	(92)	100,000	100	0	0



Detroit Edison's Fermi II plant was shut down for two weeks starting July 23 due to packing leaks in three valves—a reactor-core isolation cooling valve, a reactor water-cleanup vessel bottom-head drain, and a reactor water-cleanup suction valve. Shutdown was made manually after the leak increased to the allowable limit of 5 gpm, the point for an Unusual Event. The 1100-MW plant was placed in cold shutdown for repair July 24, when it was decided the valve could not be fixed at low power (about 10 percent) within 12 hours. No danger to the health or safety of plant personnel or the public resulted. The Monroe, MI, plant was running at 65-percent power by Aug. 10.

Fermi II shut for valve leaks

DETROIT—Detroit Edison's Fermi II plant was operating at 65-percent capacity Aug. 10, on its way back from a two-week shutdown in late July and early August due to packing leaks in three valves.

Although the incident was classified as an Unusual Event, it's not expected to affect the track record for the 1100-MW plant, said DE representative Martin L. Bufalini II.

The Monroe, MI, plant was placed in cold shutdown for repair of the valves July 24, when it was decided the repairs could not be made at low power within 12 hours. Other maintenance was performed as well. No danger to the health or safety of plant personnel or the public resulted.

The shutdown came during a time when four all-time demand records were set, peaking Aug. 2 at 9131 MW. DE had to meet it's needs through peaking plants and purchases from the American Electric Power system and other utilities to the south. Fermi II usually provides 11 percent of DE's capacity requirements.

Seriousness exaggerated

"The seriousness of the shutdown has been exaggerated greatly—the plant has been operating quite well, thank you, since January," when commercial operation began, Bufalini pointed out. He added that during this summer of record peaks, Fermi II has played a critical role in meeting the area's generation needs.

Since 1986, the NRC has fined DE $825,000 for violations at Fermi II.

NRC comments on the incident

Russ Marabito, a representative from Nuclear Regulatory Commission Region 3, said Fermi II's performance would not be affected by this shutdown. DE is making progress with improvements, he said, despite five low grades out of 13 on a performance report for April 1987 through March 1988. Another report, for Fermi II progress for the balance of the year, would probably be released in February 1989, Marabito said.

DE officials had no estimates of the outage cost as of mid-August.

Stable operations, rates will aid new project financing says EPRI

PALO ALTO, CA—An EPRI study projects several years of relatively stable operating conditions and rates that will allow electric utilities to obtain external financing comparable to historical levels. That financing should support likely increases in new construction requirements through the 1990s and the 2000s.

Under minimum-case conditions, external financing requirements will be approximately $20-billion/year (in 1985 dollars), according to the Electric Power Research Institute study, "Capital Requirements for the U.S. Investor-Owned Electric Utility Industry: 1985-2005."

Could be worse

Under more adverse conditions external financing requirements could be as high as $30 billion/year.

The study indicates that the cost of delaying construction is very sensitive to fuel price shocks. If a crisis occurs, however, fuel and capital costs deviations from the study baseline forecasts could pose problems for utility investors and ratepayers.

The predicted period of stability presents an opportunity to restore the balance sheets of utilities, as well as investor belief in the stability and predictability of regulation. As the need for new plant financing increases, the consideration of alternative regulatory schemes could help smooth the rate increases for individual utilities, the 100-page report suggests.

Risk on reliance

Financial constraints and the level of regulatory risks often govern utility planning decisions. Since many utilities are deferring new construction for as long as possible, the result may be a significant number of major new projects in 10 to 15 years. In the meantime, increasing reliance on liquid-fueled combustion turbines to meet capacity needs could lead to higher consumer rates and greater fuel price risks, the study says.

The absence of new construction also implies smaller rate bases and less internally generated capital at a time when the industry most needs funds.

A major assumption in the study is that the present regulatory uncertainty and changes will not have a lasting effect on the ability of utilities to raise funds from capital markets on reasonable terms.

The broad level of aggregation used in the analysis limits the research findings. Although the report assumes that regulators and utilities will reach agreements, individually or regionally, utilities may experience more-severe problems than those depicted in the report, EPRI admitted.

More information

More information on the June report, EPRI P-5830, may be obtained by calling 415/965-4081.

PowerGen '88 is scheduled for Orlando Dec. 6-8

BARRINGTON, IL—PowerGen '88, a major new conference and exhibition covering fossil-fueled generation technologies, will be held in Orlando, FL, December 6-8. It is co-sponsored by *EL&P* and its sister publication, *Power Engineering*.

A tentative technical program involving more than 120 presentations has been developed by the conference's executive committee. The committee is comprised of representatives of electric utilities, consulting engineers, equipment suppliers and representatives from the two co-sponsoring PennWell Publishing Co. publications.

David I. Johnson, managing director of PowerGen '88, reports that exhibitor reservations are runing ahead of projection and that he expects more than 100 suppliers to participate.

Johnson says he anticipates the largest attendance of any power generation conference or exhibition in many years.

The conference will open with a keynote session for all attendees on Tuesday, December 6. This session will cover major issues confronting power generation engineers and managers, including: re-regulation, environmental constraints, financing, cogeneration, fuels and technological innovations.

After keynote presentations, six concurrent technical sessions will be conducted, covering:

- ☐ Generation market trends and opportunities
- ☐ New power generation technologies
- ☐ Plant operations and improvements
- ☐ Fuel and waste management
- ☐ Fuel technology options
- ☐ Plant life extension and repowering

PowerGen '88 incorporates "Coal Technology," the international coal utilization conference, which was conducted by Johnson in Houston and Pittsburgh for a number of years.

COMMENTARY

NRC's penalty policy takes a turn

The Nuclear Regulatory Commission's recent levy of fines against Philadelphia Electric Co. is more than a stiffening of its policy of fines for infractions of regulations. It reflects a whole new tack aimed at making individuals, not just corporate entities, personally responsible for their own actions in terms of adhering to NRC rules and regulations. As such, we believe it can have a salutary effect on the performance of nuclear plant operators and on observance of safe operating procedures.

NRC has assessed a fine of $1.25 million against Philadelphia Electric, plus an additional $21,900 against 33 reactor operators the commission has accused of personally violating mandated operating procedures at the beleagured Peach Bottom nuclear power plant.

The magnitude of the fine against PE—the largest ever levied against a nuclear utility by more than $400,000—is noteworthy, and even surprising. Still, it reflects a *continuation* of the commission's previous policy of fining nuclear utilities for their transgressions of NRC rules and regulations.

The new direction in NRC's rules enforcement can be seen in its assessment of fines against 33 individual licensed operators at Peach Bottom, the first time ever that individual personnel have been singled out to be penalized for causing or contributing to violations of NRC regulations.

NRC has drawn a sharp line between the way it considers inadvertent actions that violate its regulations and the type of sloppy management and conscious, flagrant disregard for operational regulations and procedures that the Peach Bottom operators demonstrated. It is one thing, NRC reasons, to accidentally hit a switch that turns off a coolant pump or deactivates a safety control subsystem. But it is something completely different to consciously take a nap, or be involved in games or personal pursuits at the sacrifice of constant vigilance in the control room. NRC ordered Peach Bottom closed in March 1987 because of rules infractions, including the fact that some of the plant's reactor operators were found to be sleeping at the controls and playing video games instead of devoting their full efforts to their jobs.

NRC is fining the 33 of the 36 licensed operators working, or at least present at the work site, at the time of the inspection an average of $633 each, but ranging between $500 and $1000. Three operators were judged to be so new on the job that their actions were not counted. Two of the initial 36 subsequently left the company, ten were reassigned to other jobs at Philadelphia Electric and 24 were retrained, still hold their NRC operating licenses and will work as operators when the plant is restarted. PE has said it will neither pay the operators' fines nor reimburse them.

Both PE and the operators could appeal their fines. They have 30 days to pay or contest the fine. In any case, the fines assessed serve to make clear to utilities and individual operators alike that NRC will no longer tolerate poor operator performance, disregard for regulated procedures, nor lack of personal responsibility. They say that individuals, not just corporations, will be held responsible for improper actions and failure to observe safety and operational regulations. The NRC action says to nuclear operations management personnel, "You can't hide or abrogate responsibility for safety or rules infractions just because the infractions were done by someone else." Joe Paquette, the new PE chairman, has called the NRC's action "tough medicine," that it "sends a clear message to the industry and control room operators."

Although we've always felt that positive rewards were stronger motivators and offered a greater chance of success, there are times when punitive programs are called for. This appears to be one of those times. Awareness of the problem of sleeping shiftworkers has increased over the last two to three years. PE and its employees got caught and are being fined. But many other utilities and their nuclear and fossil-fueled plant operators share a similar guilt. We find no fault in the individual fines of Peach Bottom operators. The NRC action serves notice that nothing less than totally responsible job performance will be tolerated of utilities and their plant operating staffs...everywhere.

It's tough to argue against this sort of reasoning.

Robert A. Lincicome, Editor-in-Chief

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Utility ordered to compete for conservation services

MADISON, WI—The Wisconsin Public Service Commission, in a landmark decision, has ordered Madison Gas & Electric Co. to open part of its conservation-service market to competition.

Under a new competitive bidding initiative, the commission says MG&E and competitors would run conservation programs at the same time for commercial, industrial and rental customers (more than five units). MG&E will continue to provide conservation services exclusively in the residential and agricultural markets.

According to WPSC Chairman Charles Thompson, "The commission expects this competition to breed innovation similar to that in non-utility businesses in a competitive marketplace."

Previous commission orders have required Wisconsin utilities to institute energy efficiency programs for their customers as an alternative to constructing new power plants or purchasing natural gas. The goal is to meet customer needs at the lowest cost with improved services and the least adverse impact on the environment.

Open competition

MG&E will compete with consultants, contractors or other utilities to achieve energy efficiency results in the industrial, commercial and rental sectors of its marketplace. One competitor will be selected on the basis of bids to compete with MG&E in each of the three areas. There could be a total of as many as three competitors or as few as one for all three. MG&E and its competitors will be allowed to spend up to a total of $1.8 million for their combined programs in the three sectors.

The program will run for nine months. At the end of the period, the organization in each sector that has been the most successful—either MG&E or its competitor—will be paid a bonus of 10 to 30 percent of the cost of the program.

The competitor in each sector will be selected on the basis of five criteria: 1) Assurance that the program will achieve at least a minimum level of conservation. 2) Documentation of ability to actually carry out a program competitive with MG&E. 3) Method of documenting actual savings. 4) Previous experience, qualifications of staff, adequate financing, etc., and 5) Degree to which the competitive program differs from that offered by MG&E.

The commission solicited bids from potential competitors in mid-July. Competitors then prepared presentations detailing costs and benefits of their programs. Selection of a competitor for MG&E for each sector was made by a panel consisting of one representative each from the PSC, Madison Gas & Electric and an outside organization agreed upon by the MG&E and the PSC. As *EL&P* went to press, the probable third person on the selection panel will represent Alliance to Save Energy, a conservation and lobbying group.

The commission said it expects to select competitors and have the programs launched by mid-September.

The PSC's Office of Conservation and Energy Efficiency asked the commission to require competition for conservation services to inspire better results. George Edgar, a PSC commissioner, commented that "Competition is a promising way for consumers to have an opportunity to achieve lower energy bills. With only the utility running efficiency programs, it is difficult to determine whether as much energy efficiency as possible is achieved and whether it is achieved at the lowest cost."

The commission says that the competition is not just for price, but also for overall performance. Success will be measured both in the cost-effectiveness of programs for customers and for their benefits to the utility system. "This gives us the opportunity to compare the results of a competitive system with the more traditional monitoring by commission staff," added Mary Lou Munts, another commissioner.

'Buy American' policy continued for FY '89

WASHINGTON—The Tennessee Valley Authority, Bonneville Power Administration and other federal agencies will be required to apply a special 30 percent "Buy American" differential during fiscal year 1989 when considering procurement of EHV equipment from overseas—for the fourth consecutive year.

The law applies to all ac and dc apparatus to be operated on federal systems rated above 242 kV.

The provision, which was included in the Energy and Water Development Appropriations Bill for Fiscal Year 1989 (HR 4567), is an effort to increase pressure on foreign governments to provide access to their electric utility markets. The bill, sponsored by Rep. Silvio O. Conti, ranking minority member on the House Appropriations Committee, was signed by the President in late July.

The purpose of the requirements is to reduce the price differentials between U.S.-made equipment and the low-priced equipment manufactured in countries with protected utility markets, where U.S. manufacturers are either precluded from selling by law or by policy. Most foreign utilities are owned by their governments and are required to follow "buy national" practices.

The bill provides an exception to EHV equipment vendors from countries that demonstrate they allow fair competitive opportunities to U.S. electrical apparatus manufacturers.

DOE selects GE for advanced reactor

WASHINGTON—The Dept. of Energy selected General Electric Co. to conduct a three-year program to develop an advanced liquid-metal reactor (LMR) powerplant, with an optional, two-year, follow-on design effort. The value of the five-year contract was estimated at $93.5 million.

The LMR design could lead to important advances in safety and economics through increased use of passive safety features that allow for simpler design that is more tolerant of operator error and equipment malfunction.

The technology is based on the Power Reactor Inherently Safe Module (PRISM) design that DOE has been developing for three years.

The concept uses a modular approach to produce 450 or 465 MWe. Provisions will be made for several modules to be constructed at one site, which should give further cost savings.

GE will head a design team that includes Bechtel National, Westinghouse Electric Corp., Burns & Roe, Babcock & Wilcox, Foster Wheeler Energy Applications Inc., Byron Jackson Products, and United Engineers & Constructors/Stearns-Rogers.